



**Austin City Council
MINUTES**

**WORK SESSION
WEDNESDAY, MAY 14, 2003**

The City Council of Austin, Texas convened in a Work Session on Wednesday, May 14, 2003 at One Texas Center, 505 Barton Springs Road, 3rd Floor Training Room, Austin, Texas.

Mayor Pro Tem Goodman called the meeting to order at 10:16 a.m. Mayor Garcia was absent.

BRIEFINGS

1. Briefing and discussion on budget issues and presentation of the 3-year forecast.

City Manager Toby Hammett Futrell introduced the session with an overview of the need to increase revenue and cut expenditures and the possibility of a three-year deficit. She explained how the City got into the financial reality it faces today.

Jon Hockenyo, Texas Perspectives, presented an economic forecast for the Austin metropolitan area.

Rudy Garza, Budget Director, reviewed the current year revenues and expenditures. The cuts in expenditures (\$15.5 Million) exceeded the loss in revenue (\$8.1 Million). He also recapped the 2004 forecast that was done in January and how it was updated in May. The January shortfall was \$77.02 Million. The May forecast is a projected shortfall of \$54.7 million.

Rudy Garza reviewed the revenue assumptions for the next three years. Property tax assumption is 4.97% for the next three years. Assessed valuation assumption is (3.9%) in fiscal year 2004, (3.0%) in 2005 and 4.9% in 2006. Austin tax rate, adjusted for the hospital district, is the lowest in the State but the average taxable value is the highest. Austin has the highest average tax bill but does not have a hospital district. Staff is projecting a 2% growth in sales tax for the next three years. Utility transfer rates are projected at 9.1% in electric and 8.2% in water. Other revenues are projected to grow at 1%. No fee increases are projected.

Vickie Schubert, Assistant Finance Director, reviewed the basic expenditure assumptions for the three-year forecast. They are as follows: maintain 2.0 police officers per 1,000 citizens; increase in public safety personnel based on current pay structures for steps,

longevity, and annualized salary impacts; a public safety premium; maintaining public health services and funds costs for increased enrollees; funding for existing social services; maintaining all basic services and service levels; funding operation and maintenance for all new/expanded facilities; and a cost of living increase for non-civil service employees in 2005 and 2006. She reviewed the new facilities opening the next three years in three categories: those required due to annexation, those under construction, and those not yet under construction with a focus on the additional operation and maintenance costs.

Council recessed at 11:50 a.m. Mayor Pro Tem called the meeting back to order at 12:50 p.m.

John Stephens, Acting City Manager, lead Council through a structural balance exercise showing the impact of changing the four major variables that are under the City's control: use of all one time revenue, nominal/effective tax rate, budget reductions, and/or when the new facilities come on line. Numerous scenarios were presented for Council's consideration.

The City Manager presented the following key management initiatives: open, participatory process, management and administrative reductions, corporate cost scrutiny, reshaping government -- new business and service delivery models and the innovations initiative. John Stephens reviewed changes in the Information Services Division to reduce management and administrative costs. Tom Wieczorek, Fleet Officer, review the new model for the vehicle replacement policies. Joe Canales, Deputy City Manager, discussed efficiencies to be achieved in project management through some corporate restructuring.

Laura Huffman, Assistant City Manager, and Fire Chief Gary Warren discussed a new delivery service model for the Fire Department that will deal with the redundancy in service in the core of the City. This is expected to save a million dollars without layoffs or pay cuts and still maintains the mission of the Fire Department.

The City Manager and Rudy Garza discussed the innovations initiative where the employees submitted over 4,000 suggestions on ways to solve the budget gap. Tom Wieczorek discussed one of the initiatives on fleet oil changes that is projected to save \$150,000 annually. Juan Garza, Austin Energy General Manager, discussed the initiative concerning preventative measures for pad-mounted transformers that is expected to save \$700,000 per year. Lisa Gordon, Assistant City Manager, discussed electronic backup for boards and commissions that is expected to save \$9,000/year. Neighborhood Planning is considering use of cheaper postage options for notification of citizens. Laura Huffman shared the innovation that would allow APD officers to testify by phone to save time and keep officers in the field. She also explained the use of a roving unit to support citizens in the area of the airport rather than building an EMS stations. Vickie Schubert discussed potential savings in payroll production.

The City Manager explained that it would require a blending of both increasing revenue and cutting expenditures to balance this budget. The community and employees will have to be involved to find the solutions. She asked Council for input on other areas that could be examined for possible savings or increasing revenue. She also reviewed upcoming meetings -- May 21 will be a discussion about the enterprise funds and June 4 is a policy discussion on economic development. Staff is required to present Council a balanced budget by July 31. Council requested forums to discuss budget issues among

themselves and with the community. The City Manager will provide information for the Council to use during these discussions.

The motion to adjourn the meeting at 3:38 p.m. was approved on Council Member Slusher's motion, Council Member Wynn's second on a 6-1 vote. Mayor Garcia was absent.

The minutes for the work session of May 14, 2003 were approved on May 22, 2003 on Mayor Pro Tem Goodman's motion, Council Member Thomas' second on a 7-0 vote.